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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
POLICY SUBCOMMITTEE  
OF THE  
INVESTMENT COMMITTEE**

**MINUTES OF MEETING**

**February 10, 2006**

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A meeting of the Policy Subcommittee was held on Friday, February 10, 2006 in the Lincoln Plaza North Building, 400 Q Street, Room 1140, Sacramento, California.

The meeting was called to order at approximately 1:50 p.m. and the following members were present:

Priya Mathur, Chair  
Steve Westly, Vice Chair, represented by Karen Greene Ross  
Philip Angelides, represented by Rosalind Brewer  
Robert Carlson  
Charles Valdes

**AGENDA ITEM 2 – APPROVAL OF THE DECEMBER 2005 MEETING MINUTES**

On **MOTION** by Mr. Valdes, **SECONDED** and **CARRIED** to approve the December 9, 2006 meeting minutes as presented.

**AGENDA ITEM 3a – EQUITY POLICIES, Revision of Domestic Enhanced Index – Internally Managed**

Eric Baggesen, Senior Portfolio Manager, presented the item.

Staff has amended the current policy to provide an overarching framework for internally managed enhanced equity strategies. As proposed the policy will cover the new fundamentally-weighted strategy approved by the Investment Committee at its December 12, 2005 meeting, as well as the existing domestic enhanced index strategy.

Michael Schlachter and Andrew Junkin, Wilshire Associates, were available to respond to questions from the Subcommittee Members. Mr. Schlachter stated that Wilshire Associates provided input regarding the policy language and is comfortable recommending approval of the revised policy.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Domestic Enhanced Index – Internally Managed.

**AGENDA ITEM 4a – MISCELLANEOUS POLICIES, Adoption of Glossary Terms**

Al Fernandez, Senior Portfolio Manager, Bob Langhi, Portfolio Manager, and Curtis Ishii, Senior Investment Officer, presented the item. Nori Gerardo Lietz, Pension Consulting Alliance (PCA), was available telephonically to respond to questions from the Subcommittee Members.

On December 9, 2005 the Policy Subcommittee approved staff's recommendation to establish a limit of 25% of the Real Estate target allocation on recourse debt and other credit accommodations which carry a CalPERS guaranty and to change the term in the policy from credit "enhancement" to credit "accommodation" in order to distinguish the Fixed Income Unit's use of the guaranty from the use in the Real Estate Unit. Staff is presenting the definitions of Credit Enhancement and Credit Accommodation for adoption into the Glossary.

There was discussion regarding the difference between the terms and how they compare to other publications and authors. CalPERS' use of the unrated credit accommodation term is unique and narrower than the rated credit enhancement term.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to recommend to the Investment Committee adoption of the Glossary Terms Credit Accommodation and Credit Enhancement.

**AGENDA ITEM 5 – ADMINISTRATIVE, Proposed April 2006 Agenda**

The Subcommittee accepted the proposed April 2006 agenda.

**AGENDA ITEM 6 – PUBLIC COMMENT**

There were no public comments.

The meeting was adjourned at 2:00 p.m.

The next meeting of the Subcommittee is scheduled for April 14, 2006 at a time to be determined in Sacramento, California.